Lukhanji Local Municipality
(Registration number EC134)
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Nature of business and principal activities	Lukhanji Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Accounting Officer	Mrs. N Gqiba
Registered office	70 Cathcart Road Queenstown 5320
Postal address	Private Bag X7111 Queenstown 5320
Bankers	ABSA FNB Queenstown
Auditors	Auditor-General South Africa
Attorneys	Douglas and Both Horn & Kumm Smith Tabata Bobotyana & Company Wesley Pretorious Bowes McDougall Incorparated

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AGSA	Auditor - General South Africa

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Local legislation over companies, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Accounting Officer
Mrs. N Gqiba

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	4	-	7,496
Receivables from exchange transactions	5	24,410,495	36,251,160
Receivables from non-exchange transactions	6	38,108,792	9,980,738
VAT receivable	7	4,331,500	23,184,929
Cash and cash equivalents	8	183,834,219	128,963,900
		250,685,006	**198,388,223**
Non-Current Assets			
Biological assets	9	2,592,120	2,592,120
Investment property	10	310,561,702	310,561,702
Property, plant and equipment	11	946,023,007	961,812,230
Heritage assets	12	1,049,100	1,049,100
Other financial assets	13	312,429	304,533
Long term debtors	14	3,211,039	3,438,791
		1,263,749,397	**1,279,758,476**
Non-Current Assets		1,263,749,397	1,279,758,476
Current Assets		250,685,006	198,388,223
Total Assets		**1,514,434,403**	**1,478,146,699**
Liabilities			
Current Liabilities			
Other financial liabilities	15	523,924	594,951
Finance lease obligation	16	1,103,678	1,329,286
Payables from exchange transactions	17	38,240,507	46,491,148
Consumer deposits	18	9,230,952	8,922,314
Employee benefit obligation	19	17,111,701	16,520,142
Unspent conditional grants and receipts	20	14,561,039	9,464,857
		80,771,801	**83,322,698**
Non-Current Liabilities			
Other financial liabilities	15	105,766	629,690
Finance lease obligation	16	42,106	1,072,400
Employee benefit obligation	19	64,195,761	67,969,506
Provisions	21	4,245,104	4,240,830
		68,588,737	**73,912,426**
Non-Current Liabilities		68,588,737	73,912,426
Current Liabilities		80,771,801	83,322,698
Total Liabilities		**149,360,538**	**157,235,124**
Assets		1,514,434,403	1,478,146,699
Liabilities		(149,360,538)	(157,235,124)
Net Assets		**1,365,073,865**	**1,320,911,575**
Accumulated surplus		1,365,073,865	1,320,911,575

* See Note 3 & 49

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	200,863,603	189,896,072
Rental of facilities and equipment	23	2,760,577	2,502,559
Interest received - debtors		18,402,234	16,087,387
Other income	24	22,027,696	14,792,358
Interest received - investment	25	8,837,197	8,056,979
Total revenue from exchange transactions		**252,891,307**	**231,335,355**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	66,069,013	74,174,394
Transfer revenue			
Government grants & subsidies	27	166,805,468	157,188,476
Fines, Penalties and Forfeits		192,808	183,828
Licences and permits		3,844,095	4,116,407
Total revenue from non-exchange transactions		**236,911,384**	**235,663,105**
		252,891,307	231,335,355
		236,911,384	235,663,105
Total revenue		**489,802,691**	**466,998,460**
Expenditure			
Employee related costs	28	(126,415,571)	(128,943,918)
Remuneration of councillors	29	(22,305,544)	(23,718,756)
Depreciation and amortisation	31	(43,657,144)	(41,707,950)
Finance costs	32	(403,072)	(626,495)
Lease rentals on operating lease		(639,068)	(96,643)
Debt Impairment	33	(4,472,886)	(76,742,575)
Repairs and maintenance	34	(8,412,255)	(9,437,091)
Bulk purchases	35	(164,019,181)	(153,712,218)
Contracted services	36	(5,849,184)	(3,777,713)
Grants expenditure	37	(8,134,099)	(13,854,353)
General Expenses	38	(50,743,140)	(49,210,447)
Total expenditure		**(435,051,144)**	**(501,828,159)**
		-	-
Total revenue		489,802,691	466,998,460
Total expenditure		(435,051,144)	(501,828,159)
Operating surplus (deficit)		**54,751,547**	**(34,829,699)**
Fair value adjustments	40	-	28,347,380
Actuarial gains/losses	19	11,037,085	-
Gain on biological assets and agricultural produce	41	-	326,540
		11,037,085	**28,673,920**
Surplus before taxation		65,788,632	(6,155,779)
Taxation		-	-
Surplus (deficit) for the year from continuing operations		**65,788,632**	**(6,155,779)**
Discontinued operations	42	(14,981,885)	12,952,986
Surplus for the year		**50,806,747**	**6,797,207**

* See Note 3 & 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	908,898,577	908,898,577
Adjustments		
Prior year adjustments	405,215,791	405,215,791
Balance at 01 July 2013 as restated*	**1,314,114,368**	**1,314,114,368**
Changes in net assets		
Surplus for the year	6,797,207	6,797,207
Total changes	6,797,207	6,797,207
Restated* Balance at 01 July 2014	**1,314,267,118**	**1,314,267,118**
Changes in net assets		
Surplus for the year	50,806,747	50,806,747
Total changes	50,806,747	50,806,747
Balance at 30 June 2015	**1,365,073,865**	**1,365,073,865**

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* See Note 3 & 49

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Ratepayers and other		314,160,026	183,059,467
Grants		166,805,468	157,188,476
Interest income		8,837,197	8,056,979
		489,802,691	348,304,922
Payments			
Employee costs		(148,721,115)	(152,662,674)
Suppliers		(262,244,085)	(184,469,606)
Finance costs		(403,072)	(626,495)
Other cash item		-	(80,736)
		(411,368,272)	(337,839,511)
Total receipts		489,802,691	348,304,922
Total payments		(411,368,272)	(337,839,511)
Net cash flows from operating activities	45	**78,434,419**	**10,465,411**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(21,967,816)	(41,216,347)
Proceeds from sale of property, plant and equipment	11	192,000	-
Proceeds from sale of financial assets		(7,896)	(7,625)
Increase/(decrease) in long term debtors		227,752	(3,438,791)
Net cash flows of discontinued operations		-	(9,080,126)
Net cash flows from investing activities		**(21,555,960)**	**(53,742,889)**
Cash flows from financing activities			
Repayment of other financial liabilities		(594,951)	(490,230)
Finance lease payments		(1,413,189)	(1,532,088)
Net cash flows from financing activities		**(2,008,140)**	**(2,022,318)**
Net increase/(decrease) in cash and cash equivalents		**54,870,319**	**(45,299,796)**
Cash and cash equivalents at the beginning of the year		128,963,900	174,263,696
Cash and cash equivalents at the end of the year	8	**183,834,219**	**128,963,900**

* See Note 3 & 49

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	209,436,283	4,561	**209,440,844**	200,863,603	**(8,577,241)**	1
Rental of facilities and equipment	2,476,032	-	**2,476,032**	2,760,577	**284,545**	2
Interest received - debtors	12,163,203	2,348,530	**14,511,733**	18,402,234	**3,890,501**	3
Other income	15,558,383	20,223,809	**35,782,192**	22,027,696	**(13,754,496)**	4
Interest received - investment	8,200,000	-	**8,200,000**	8,837,197	**637,197**	5
Total revenue from exchange transactions	**247,833,901**	**22,576,900**	**270,410,801**	**252,891,307**	**(17,519,494)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	75,161,501	448,416	**75,609,917**	66,069,013	**(9,540,904)**	7
Transfer revenue						
Government grants and subsidies	128,899,000	1,693,668	**130,592,668**	166,805,468	**36,212,800**	8
Fines	347,490	-	**347,490**	192,808	**(154,682)**	9
Motor vehicle registrations	3,970,701	-	**3,970,701**	3,844,095	**(126,606)**	10
Total revenue from non-exchange transactions	**208,378,692**	**2,142,084**	**210,520,776**	**236,911,384**	**26,390,608**	
'Total revenue from exchange transactions'	247,833,901	22,576,900	**270,410,801**	252,891,307	**(17,519,494)**	11
'Total revenue from non-exchange transactions'	208,378,692	2,142,084	**210,520,776**	236,911,384	**26,390,608**	12
Total revenue	**456,212,593**	**24,718,984**	**480,931,577**	**489,802,691**	**8,871,114**	
Expenditure						
Employee related costs	(133,285,603)	2,084,039	**(131,201,564)**	(126,415,571)	**4,785,993**	13
Remuneration of councillors	(20,166,735)	-	**(20,166,735)**	(22,305,544)	**(2,138,809)**	14
Depreciation and amortisation	(29,116,545)	5,219,909	**(23,896,636)**	(43,657,144)	**(19,760,508)**	15
Finance costs	(1,286,250)	1,074,275	**(211,975)**	(403,072)	**(191,097)**	16
Lease rentals on operating lease	-	-	**-**	(639,068)	**(639,068)**	17
Debt impairment	(54,564,092)	(3,305,592)	**(57,869,684)**	(4,472,886)	**53,396,798**	18
Repairs and maintenance	(11,568,885)	(1,488,400)	**(13,057,285)**	(8,412,255)	**4,645,030**	19
Bulk purchases	(150,240,342)	(14,840,295)	**(165,080,637)**	(164,019,181)	**1,061,456**	20
Contracted Services	(4,359,138)	(500,000)	**(4,859,138)**	(5,849,184)	**(990,046)**	21
Transfers and Subsidies	(4,733,000)	(1,693,225)	**(6,426,225)**	(8,134,099)	**(1,707,874)**	22
General Expenses	(46,892,003)	(11,269,695)	**(58,161,698)**	(50,743,140)	**7,418,558**	23
Total expenditure	**(456,212,593)**	**(24,718,984)**	**(480,931,577)**	**(435,051,144)**	**45,880,433**	
	456,212,593	24,718,984	**480,931,577**	489,802,691	**8,871,114**	24
	(456,212,593)	(24,718,984)	**(480,931,577)**	(435,051,144)	**45,880,433**	25
Operating surplus	**-**	**-**	**-**	**54,751,547**	**54,751,547**	
Actuarial gains/losses	-	-	**-**	11,037,085	**11,037,085**	26
	-	-	**-**	54,751,547	**54,751,547**	27

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	-	-	11,037,085	**11,037,085**	28
Capex Budget	**-**	**-**	**-**	**65,788,632**	**65,788,632**	
Deficit before taxation	-	-	-	65,788,632	**65,788,632**	29
Taxation	-	-	-	-	**-**	
Surplus for the year from continuing operations	**-**	**-**	**-**	**65,788,632**	**65,788,632**	
Discontinued operations	-	-	-	(14,981,885)	**(14,981,885)**	30
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**50,806,747**	**50,806,747**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	75,603	(68,107)	**7,496**	-	**(7,496)**	31
Receivables from exchange transactions	21,421,965	6,117,221	**27,539,186**	24,410,495	**(3,128,691)**	32
Receivables from non-exchange transactions	-	-	**-**	38,108,792	**38,108,792**	33
VAT receivable	-	-	**-**	4,331,500	**4,331,500**	34
Consumer debtors	107,843,928	(46,298,728)	**61,545,200**	-	**(61,545,200)**	35
Cash and cash equivalents	156,552,032	27,958,780	**184,510,812**	183,834,219	**(676,593)**	36
	285,893,528	**(12,290,834)**	**273,602,694**	**250,685,006**	**(22,917,688)**	
Non-Current Assets						
Biological assets	-	-	**-**	2,592,120	**2,592,120**	37
Investment property	91,580,500	61,892,867	**153,473,367**	310,561,702	**157,088,335**	38
Property, plant and equipment	763,855,737	69,196,333	**833,052,070**	946,023,007	**112,970,937**	39
Heritage assets	-	-	**-**	1,049,100	**1,049,100**	40
Other financial assets	-	-	**-**	312,429	**312,429**	41
Long term debtors	-	-	**-**	3,211,039	**3,211,039**	42
	855,436,237	**131,089,200**	**986,525,437**	**1,263,749,397**	**277,223,960**	
Non-Current Assets	285,893,528	(12,290,834)	**273,602,694**	250,685,006	**(22,917,688)**	43
Current Assets	855,436,237	131,089,200	**986,525,437**	1,263,749,397	**277,223,960**	44
Total Assets	**1,141,329,765**	**118,798,366**	**1,260,128,131**	**1,514,434,403**	**254,306,272**	
Liabilities						
Current Liabilities						
Other financial liabilities	1,161,923	230,665	**1,392,588**	523,924	**(868,664)**	45
Finance lease obligation	-	-	**-**	1,103,678	**1,103,678**	46
Payables from exchange transactions	(20,769,249)	21,108,408	**339,159**	38,240,508	**37,901,349**	47
Consumer deposits	8,806,479	115,835	**8,922,314**	9,230,952	**308,638**	48
Employee benefit obligation	-	-	**-**	17,111,701	**17,111,701**	49
Unspent conditional grants and receipts	-	-	**-**	14,561,039	**14,561,039**	50
Provisions	60,596,933	3,045,609	**63,642,542**	-	**(63,642,542)**	51
	49,796,086	**24,500,517**	**74,296,603**	**80,771,802**	**6,475,199**	
Non-Current Liabilities						
Other financial liabilities	1,816,186	316,452	**2,132,638**	105,766	**(2,026,872)**	52
Finance lease obligation	-	-	**-**	42,106	**42,106**	53
Employee benefit obligation	-	-	**-**	64,195,761	**64,195,761**	54
Provisions	25,221,101	(12,604,766)	**12,616,335**	4,245,104	**(8,371,231)**	55
	27,037,287	**(12,288,314)**	**14,748,973**	**68,588,737**	**53,839,764**	
	49,796,086	24,500,517	**74,296,603**	80,771,802	**6,475,199**	56
	27,037,287	(12,288,314)	**14,748,973**	68,588,737	**53,839,764**	57
	-	-	**-**	-	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Total Liabilities	**76,833,373**	**12,212,203**	**89,045,576**	**149,360,539**	**60,314,963**	
Assets	1,141,329,765	118,798,366	**1,260,128,131**	1,514,434,403	**254,306,272**	58
Liabilities	(76,833,373)	(12,212,203)	**(89,045,576)**	(149,360,539)	**(60,314,963)**	59
Net Assets	**1,064,496,392**	**106,586,163**	**1,171,082,555**	**1,365,073,864**	**193,991,309**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,064,496,392	106,586,163	**1,171,082,555**	1,365,073,864	**193,991,309**	60

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These accounting policies are consistent with the previous period.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards

Standards Issued and Effective

- GRAP 1 - Presentation of Financial Statements (as revised in 2012)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2012)
- GRAP 5 - Borrowing Costs (as revised in 2013)
- GRAP 6 - Consolidated and Separate Financial Statements (as revised 2010)
- GRAP 7 - Investments in Associates (as revised 2012)
- GRAP 8 - Interests in Joint Venturess (as revised 2010)
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2012)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2012)
- GRAP 13 - Leases (as revised in 2012)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 16 - Investment Property (as revised in 2012)
- GRAP 17 - Property Plant and Equipment (as revised in 2012)
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of cash-generating assets
- GRAP 27 - Agriculture (Replaces GRAP101) (as revised 2012)
- GRAP 31 - Intangible Assets (replace GRAP 102) (as revised in 2012)
- GRAP 100 - Non-current Assets held for Sale and Discontinued Operations (as revised in 2013)
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

Standards Issued, Future Effective Date - can base accounting policy on, or early adopt

- GRAP 18 - Segmental Reporting
- GRAP 20 - Related Party Disclosures
- GRAP 32 - Service Concession Arrangements: Grantor
- GRAP 105 -Transfers of functions between entities under common control
- GRAP 107 - Mergers
- GRAP108 - Statutory Receivables

Accounting Policies

Interpretations Issued and Effective

- IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 6 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 10 - Assets Received from Customers
- IGRAP 13 - Operating Leases - Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue - Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)

Interpretations Issued, Future Effective Date - can base accounting policy on, or early adopt

- IGRAP 11 - Consolidation Special purpose entities
- IGRAP 12 - Jointly controlled entities – Non-monetary contributions by ventures
- IGRAP17 - Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with South African Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. These include:

Trade receivables and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

On receivables an impairment loss is recognised in the surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at the initial recognition.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic factors.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Employee benefit obligation

The present value of the employee benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Employee Benefit Obligation note 19 to the financial statements.

Effective interest method

The municipality used the prime interest rate to discount future cash flows.

1.4 Biological assets

The entity recognises a biological assets when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.5 Investment property (continued)

The cost of self-constructed investment property is the cost at the date of completion.

The following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. If the Municipality has not determined that it will use the land as owner-occupied property, or for a short term sale in the ordinary course of business, the land is regarded as being held for capital appreciation;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the housing board on a commercial basis on behalf of the Municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall into the ambit of investment property, and shall be classified as Property, Plant and Equipment or Non-current Assets Held for Sale (where appropriate):
- Property held for sale in the ordinary course of operations;
- Properly being constructed or developed on behalf of third parties;
- Owner-occupied property;
- Property that is being constructed or developed for future use as Investment Property;
- Property that is leased out under a finance lease;
- Property that is held to provide a social service and which also generates cash flows; and
- Property held for strategic purposes and or service delivery.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interest held under operating leases are classified and accounted for as investment property if property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment properties from owner-occupied and from property held for sale is established by using criteria that it can utilise to exercise judgment consistently in accordance with the definition of investment property and with the related guidance.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years
Air-conditioners	3-7 years

Investment property is unrecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Subsequent to initial recognition, Investment property is carried at cost less accumulated depreciation and impairment. No depreciation is recognised where the residual value of the property exceeds the historical cost of the Investment property.

Accounting Policies

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on the acquisition date, or in the case of assets acquired by grant or donation, deemed cost being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. Non-exchange transaction), the cost is deemed to be equal to the fair value of the asset on the date acquired.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is unrecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent to initial measurement Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

1.6 Property, plant and equipment (continued)

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the Municipality. Components of assets that are significant in relation to the whole asset or the and that have different useful lives, are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential associated with the expenditure will flow to the municipality and the cost can measured reliably. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset that is being replaced and capitalises the new component.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the surplus or deficit when the compensation becomes receivable.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite years
Finance lease assets	
• Office equipment	3 years
• Motor Vehicles	5 years
Infrastructure	
• Roads and paving	25 years
• Pedestrian Malls	25 years
• Electricity	40 years
Community	
• Buildings	30 years
• Recreational Facilities	20-30 years
• Halls	50 years
• Libraries	50 years
• Parks and gardens	20 years
• Other assets	15-20 years
Other	
• Buildings	30 years
• Motor Vehicles	5-7 years
• Office equipment	3-7 years
• Furniture and fittings	7-10 years
• Bins and containers	5 years
• Plant and Equipment	3-10 years
• Landfill sites	10-50 years
• Emergency equipment	5-15 years
• Computer equipment	3-5 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under a finance leases are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where shorter the term of the relevant lease if there is no reasonable surety that the Municipality will obtain ownership by the end of the lease term.

Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Derecognition of property, plant and equipment assets

The carrying amount of an item of property, plant equipment is derecognised on disposal, or when no future economic benefits or service potential are expected to flow from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue. These are included in other income.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This is included in the statement of financial performance as a gain or loss on disposal of property, plant and equipment.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

If the expectations from previous estimates change, the change is treated as a change in accounting estimate.

Where an intangible asset is acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets, the asset is initially measured at fair value (cost). If the fair value cannot be determined, its deemed cost is the carrying amount of the asset given up.

Intangible assets are assessed annually for impairment, with any reduction in the carrying amount reflected through the surplus or deficit in the period incurred.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:
Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the Municipality give the Municipality access to land for specific purposes for an unlimited period however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount which is calculated at the lower of the value in use and the fair value less cost to sell.

The estimated useful life and amortisation methods are reviewed annually at the end of each financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the statement of financial performance for the year.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the proceeds and the carrying amount of the intangible asset . The gain or loss is recognised in the period in which it is incurred through the surplus or deficit for the period.

1.8 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in the municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.8 Heritage assets (continued)

An inalienable item is an asset that the municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Transitional provision

The municipality changed its accounting policy for heritage assets in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in note 12. The transitional provision expires on 30/06/2015.

1.8 Heritage assets (continued)

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality’s statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Accounting Policies

1.9 Financial instruments (continued)

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and cash	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial asset measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10 Leases

The Municipality as a Lessee

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between finance costs and capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to the derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the useful life of the asset or the lease term.

Accounting Policies

1.10 Leases (continued)

The Municipality as a lessor

Operating lease rental income is recognised on a straight line over the term of the relevant lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease if it is practicable to determine. If not the rate for the government bond with a maturity similar to the lease is used.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent to initial measurement

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost or current replacement cost.

Accounting Policies

1.11 Inventories (continued)

Redundant and slow moving inventory items are identified and written down from cost to net realisable value with regards to their estimated economic or realisable values and sold at public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period in which the is sold, utilised or written off unless it qualifies for capitalisation to the cost of an asset.

Current replacement cost is the cost to replace the item at the current reporting date.

The cost of inventories comprises all costs of purchase, conversion and other costs necessary to bring the item to their present location and condition. Where inventory is manufactured, constructed or produced the cost includes the cost of labour, material and overheads used during the manufacturing process.

The cost of inventories of items that are not ordinarily interchangeable and goods and services produced and segregated for specific projects is assigned using the specific identification of the individual costs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Identification of a potential impairment

The recoverable amount of an asset is the higher of it fair value less cost to sell and its value in use. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual assets)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (cash-generating units)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and value added taxes.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.13 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification of a potential impairment

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement of non-cash generating units

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP 21 - Impairment of non-cash generating assets.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

- an municipality’s decision to terminate an employee’s employment before the normal retirement date; or

Vested employee benefits are employee benefits that are not conditional on future employment.

1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care medical aid benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 Provisions

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

1.16 Provisions (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of an asset are taken into account in measuring a provision.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, VAT and volume rebates.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of the municipality assets yielding interest or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. The tariffs are determined per category if property usage and levied monthly based on the number of refuse containers on each property, regardless of whether or not the containers are emptied during the month.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Finance Income

Interest earned on investments is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorising tariff. This includes the issue of licenses and permits.

Income from Agency Services

Income from agency services is recognised on a monthly basis once the income collected on behalf of the agents has been quantified. The income is recognised in terms of the agency agreement.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial year a straight-line basis is used.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.18 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates, including collection charges, penalties and interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time apportionment basis with reference to the principle amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from the revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets (revenue) arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Donations are recognised on a cash receipts basis or where the donation is in the form of; property, plant and equipment, when such items are available for use.

Public Contributions

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not yet been met, a liability is recognised.

Government Grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investments is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

The Municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not.
- receive goods or services in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; and
- expect a financial return as would be expected from an investment.

These transfers are recognised in the statement of financial performance in the period that the events giving rise to the transfer occurred.

Accounting Policies

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note 50 to the financial statements.

1.22 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
  expenditure not in terms of the conditions of the allocation from another sphere of Government, Municipality or Organ of State and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is no certified as irrecoverable by the council it is treated as an asset until it is recovered or written off as irrecoverable.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

If the expenditure is not subsequently certified as irrecoverable by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998), or is in contravention of the municipality's supply chain management policies.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by Council it is treated as an asset until it is recovered or written off.

1.25 Revenue from recovery of Unauthorised, Irregular, Fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery from the responsible Councilors or officials is virtually certain. Such revenue is based on legislated procedures.

Accounting Policies

1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts in the annual financial statements. Refer to note 57.

1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.30 Change in accounting policy, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting policies, changes in accounting estimate and errors, requirements except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the note 49 to the financial statements where applicable.

1.31 Commitments

Items are classified as a commitment when the Municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note 46 to the financial statements.

1.32 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets, but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefits is probable. Contingent assets and contingent liabilities are disclosed in note 47.

1.33 Events after reporting date

Events after reporting date that are classified as adjusting events have been accounted for in the financial statements. Non-adjusting events have been disclosed in the notes to the financial statements.

1.34 Going concern

The Annual Financial Statements have been prepared on a going concern basis.

Accounting Policies

1.35 Value Added Tax (VAT)

Output VAT is levied on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

The Municipality accounts for VAT on a payments basis.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	No material impact to current financial statements
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	Disclosure for transfer of functions (Water, Sanitation, etc)
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	No material impact to current financial statements
• GRAP 107: Mergers	01 April 2015	No material impact to current financial statements
• GRAP 20: Related parties	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

3. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 20: Related Parties
- GRAP 25: Employee Benefits
- GRAP 27 - Agriculture
- GRAP 103 - Heritage assets

GRAP 20: Related Parties

During the year, the municipality changed its accounting policy with respect to the disclosure of remuneration of management. In order to conform with the benchmark treatment in of GRAP20 – Related parties. Refer to note 28 for the change.

GRAP 25 - Employee benefits

During the year, the municipality changed its accounting policy with respect to the treatment of bonuses and accrual for leave gratuity. In order to conform with the benchmark treatment in of GRAP25 – Employee benfits.

- The Accrual for leave gratuity was previously disclosed and accounted under Payables from exchange transactions.]

GRAP 27 - Agriculture

During the year, the municipality changed its accounting policy with respect to the treatment of Game animals. In order to conform with the benchmark treatment in of GRAP 27 - Agriculture.

- The game animals were previously disclosed and accounted for under GRAP 17 - Property, plant and equipment.

GRAP 103 - Heritage assets

During the year, the municipality changed its accounting policy with respect to the treatment of Heritage assets. In order to conform with the benchmark treatment in of GRAP103 – Heritage assets. The municipality will apply the transitional period as per Directive 4, for initial adoption of the GRAP standard, thus will measure the Heritage assets according to GRAP 17 - Property, plant and equipment as previously classified under this standard.

The requirements have been applied retrospectively, therefore the prior year figures have been restated as listed below.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2014 is as follows:

Statement of financial position

Biological assets	2014	Prior years
Previously stated	-	-
Change in accounting policy - PPE	2,265,580	2,196,825
Adjustment	326,540	68,755
	2,592,120	**2,265,580**

Property, plant and equipment		
Previously stated	682,528,491	639,729,888
Change in accounting policy - Biological assets	(2,265,580)	(2,196,825)
Adjustment	292,937,530	262,305,080
	973,200,441	**899,838,143**

Employee benefit obligation (Current Portion)		
Previously stated	2,110,177	2,326,260
Change in accounting policy - Staff Leave	22,316,258	16,862,365
Adjustment	(7,906,293)	-

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

3. Changes in accounting policy (continued)

	2015	2014
	16,520,142	**19,188,625**

Payables from exchange transactions

	2015	2014
Previously stated	62,538,792	37,572,737
Change in accounting policy - Staff Leave	(22,316,258)	(16,862,365)
Reclassification to Other Debtors	(846,247)	-
Adjustment	89,946	-
Reclassification from Other Recievables	(1,626,238)	-
	37,839,995	**20,710,372**

4. Inventories

	2015	2014
Water	-	7,496

	2015	2014
Inventories recognised as an expense during the year	-	68,107

In the prior year inventories that related to Water operations were discontinued based on a decision taken by the Council of Chris Hani District Municipality to transfer theWater Services function to the District Municipality, at a Council meeting held during May 2014.

The transfer of these assets will be effective from the 01 July 2014.

Refer to Note 42 for the note on discontinued operations.

5. Receivables from exchange transactions

	2015	2014
Service Receivables	246,024,440	453,903,766
Provision for bad debts	(222,687,406)	(425,614,322)
Other receivables	184,245	94,785
Chris Hani District Municipality (Water and Sanitation)	889,216	7,866,931
	24,410,495	**36,251,160**

Debtors by debtor type	**0-30 Days**	**60 Days**	**90 Days +**	**Arrangements (Long Term Debtors)**	**Total**
Government	2,256,379	406,073	1,452,633	-	4,115,085
Business	12,087,422	852,280	10,023,261	(16,818)	22,946,145
Domestic and other	8,251,140	3,320,153	226,596,066	(1,916,589)	236,250,770
	22,594,941	**4,578,506**	**238,071,960**	**(1,933,407)**	**263,312,000**

Debtors by revenue type	**0-30 Days**	**60 Days**	**90 Days +**	**Arrangements (Long Term Debtors)**	**Total**
Electricity	9,702,419	1,019,559	12,098,478	(441,466)	22,378,990
Refuse removal	5,813,929	2,630,900	136,614,405	(436,605)	144,622,629
Sundry	7,078,593	928,047	89,359,077	(1,055,336)	96,310,381
	22,594,941	**4,578,506**	**238,071,960**	**(1,933,407)**	**263,312,000**

In the prior year receivables from exchange transactions that related to Water and Sanitation operations were discontinued based on a decision taken by the Council of Chris Hani District Municipality to transfer theWater Services function to the District Municipality, at a Council meeting held during May 2014.

The transfer of these assets will be effective from the 01 July 2014.

Figures in Rand	2015	2014

5. Receivables from exchange transactions (continued)

Refer to Note 42 for the note on discontinued operations.

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing		
Current (0 - 30 days)	9,702,419	6,524,072
31 - 60 Days	1,019,559	1,983,935
61 - 90 Days	569,018	525,340
90 to 1830 days+ Days	11,529,460	11,402,912
	22,820,456	**20,436,259**

(Refuse): Ageing		
Current (0 - 30 days)	5,813,929	3,285,273
31 - 60 Days	2,630,900	2,735,722
61 - 90 Days	2,561,701	2,515,845
90 to 1830 days+ Days	134,052,704	115,757,306
	145,059,234	**124,294,146**

(Sundry Receivables): Ageing		
Current (0 - 30 days)	7,030,686	4,019,399
31 - 60 Days	802,247	1,292,912
61 - 90 Days	549,810	589,435
90 to 1830 days+ Days	83,395,074	87,590,087
	91,777,817	**93,491,833**

(Total): Ageing		
Current (0 - 30 days)	14,926,980	13,849,684
31 - 60 Days	7,667,961	6,031,101
61 - 90 Days	4,578,506	3,647,489
90 to 1830 days+ Days	238,071,960	214,693,966
Less: Long Term Debtors	-	(2,466,122)
	265,245,407	**235,756,118**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Counterparties without external credit rating		
Category A	-	-
Category B	2,759	2,759
Category C	53,865	53,865
	56,624	**56,624**

Category A – The debtors are of good quality no default in payment is expected.

Category B – These debtors are usually good payers, but there is a possibility that the debtor might not be able to pay on time.

Category C – These debtors usually pay but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

None of the financial assets that are fully performing have been renegotiated in the last year.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R - (2014: R 38,421,546) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	4,115,085	20,019,280
2 months past due	14,940,559	10,664,653
3 months past due	5,187,550	7,737,613

Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R - (2014: R 214,693,966) were impaired and provided for.

The amount of the provision was R - as of 30 June 2015 (2014: R 211,958,173).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	222,453,557	387,883,224
Provision for impairment	233,849	50,268,031
Amounts written off as uncollectible	-	(12,536,933)
Balance Transferred to CHDM	-	(203,160,765)
	222,687,406	**222,453,557**

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

The fair value of trade and other receivables approximates their carrying amounts.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. Receivables from non-exchange transactions

Rates	113,100,457	102,516,989
Provision for bad debts	(74,991,665)	(92,536,251)
	38,108,792	**9,980,738**

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing		
Current (0 - 30 days)	38,001,419	4,563,804
31 - 60 Days	2,243,352	3,384,218
61 - 90 Days	2,239,767	2,977,483
90 to 1830 days+ Days	77,302,553	92,563,209
	119,787,091	**103,488,714**

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R - (2014: R 10,925,506) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	7,007,038	4,563,804
2 months past due	30,994,381	3,384,218
3 months past due	6,794,006	2,977,483

Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R - (2014: R 92,563,208) were impaired and provided for.

The amount of the provision was R - as of 30 June 2015 (2014: R 92,536,251).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	92,536,251	36,899,725
Provision for impairment	(17,544,586)	55,636,526
	74,991,665	**92,536,251**

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of trade and other receivables approximates their carrying amounts.

7. VAT receivable

VAT	4,331,500	23,184,929

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash Floats	30,992	30,992
Current Accounts	57,082,535	15,394,048
Call Investments Deposits	126,720,692	113,538,860
	183,834,219	**128,963,900**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
Bank Accounts						
FNB Cheque 624 3815 9809	55,947,001	6,040,241	-	55,733,628	5,955,115	-
ABSA Bank Cheque 405 281 9154	938,866	6,225,087	89,151,144	1,306,185	6,788,392	31,084,379
ABSA Bank Cheque 2160 149 854	42,721	2,650,540	35,039,269	42,721	2,650,540	35,039,269
Call Investment Deposits						
ABSA 32 Days Notice 909-044-8293 (FORMER CALL ACCOUNT)	336,010	317,673	107,970,707	336,010	317,673	107,970,707
ABSA Call Account 2160-143-862 (FORMER CURRENT ACCOUNT)	147,937	142,166	137,348	147,937	142,166	137,348
ABSA Call Account 9264-430-911 (FORMER MIG)	1,008	1,003	1,001	1,008	1,003	1,001
ABSA Call Account 9264-431-462 (FORMER MSIG)	1,008	1,003	1,001	1,008	1,003	1,001
ABSA Call Account 9264-431-200 (FORMER FMG)	1,008	1,003	1,001	1,008	1,003	1,001
FNB Call Account 624-59044-162	119,540,639	113,076,013	-	119,540,639	113,076,013	-
FNB Call Account 624-96427-967 (EPWP)	78,011	-	-	78,011	-	-
FNB Call Account 624-96432-635 (ISDG)	1,000	-	-	1,000	-	-
FNB Call Account 624-96436-265 (MSIG)	271,665	-	-	271,665	-	-
FNB Call Account 624-96439-607 (FMG)	1,000	-	-	1,000	-	-
FNB Call Account 624-96441-842 (MIG)	6,341,407	-	-	6,341,407	-	-
Total	**183,649,281**	**128,454,729**	**232,301,471**	**183,803,227**	**128,932,908**	**174,234,706**

Notes to the Annual Financial Statements

9. Biological assets

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Game animals	2,592,120	-	2,592,120	2,592,120	-	2,592,120

Reconciliation of biological assets - 2015

	Opening balance	**Total**
Game animals	2,592,120	2,592,120

Reconciliation of biological assets - 2014

	Opening balance	**Gains or losses arising from changes in fair value**	**Total**
Game animals	2,265,580	326,540	2,592,120

Non - Financial information

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

Methods and assumptions used in determining fair value

Game Type	Quantity (Units)	Fair Value (per animal) R	Fair Value
Rhino	5	200,000	1,000,000
Giraffe	12	10,500	126,000
Eland	40	3,200	128,000
Kudu	48	2,000	96,000
Zebra	60	3,250	195,000
Nyala	35	3,500	122,500

Notes to the Annual Financial Statements

Figures in Rand		2015	2014
9. Biological assets (continued)			
Lechwe	65	5,500	357,500
Blesbok	132	550	72,600
Impala	128	525	67,200
Springbok	69	380	26,220
Fallow Deer	56	800	44,800
Gemsbok	52	3,200	166,400
Duiker	20	250	5,000
Steenbok	4	500	2,000
Blackwildebeest	81	900	72,900
Hartebeest	55	2,000	110,000
	862	**237,055**	**2,592,120**

	2015	2014
Fair value of biological assets is based on selling prices less costs to sell in an open active market.	2,592,120	2,265,580

10. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	310,561,702	-	310,561,702	310,561,702	-	310,561,702

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	310,561,702	310,561,702

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	310,561,702	310,561,702

Pledged as security

No investment properties were pledged as security for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	241,119,855	(56,511,021)	184,608,834	235,818,534	(48,345,117)	187,473,417
Computer equipment	3,000,342	(1,161,751)	1,838,591	3,170,001	(749,339)	2,420,662
Electricity	217,909,848	(41,164,224)	176,745,624	217,909,848	(35,272,668)	182,637,180
Furniture and fixtures	5,328,335	(1,513,286)	3,815,049	5,346,077	(792,080)	4,553,997
Land	64,687,126	-	64,687,126	64,687,126	-	64,687,126
Landfill sites	3,529,601	(302,908)	3,226,693	3,529,601	(252,423)	3,277,178
Motor vehicles	82,355,210	(17,392,515)	64,962,695	84,105,013	(11,108,629)	72,996,384
Office equipment	1,912,454	(496,499)	1,415,955	1,630,574	(273,650)	1,356,924
Other equipment	3,281,056	(1,099,118)	2,181,938	3,358,440	(655,820)	2,702,620
Capital Work In Progress	28,447,330	-	28,447,330	52,046,844	-	52,046,844
Roads and stormwater	530,730,392	(116,637,220)	414,093,172	485,047,457	(97,387,559)	387,659,898
Total	**1,182,301,549**	**(236,278,542)**	**946,023,007**	**1,156,649,515**	**(194,837,285)**	**961,812,230**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Buildings	187,473,417	-	-	-	5,301,321	(8,165,904)	184,608,834
Computer equipment	2,420,662	587,944	(402,082)	-	-	(767,933)	1,838,591
Electricity	182,637,180	-	-	-	-	(5,891,556)	176,745,624
Furniture and fixtures	4,553,997	182,791	(115,608)	-	-	(806,131)	3,815,049
Land	64,687,126	-	-	-	-	-	64,687,126
Landfill sites	3,277,178	-	-	-	-	(50,485)	3,226,693
Motor vehicles	72,996,384	-	457,757	-	-	(8,491,446)	64,962,695
Office equipment	1,356,924	831,773	(41,570)	-	-	(731,172)	1,415,955
Other equipment	2,702,620	57,019	(90,497)	-	-	(487,204)	2,181,938
Capital Work In Progress	52,046,844	15,781,507	-	-	(39,381,021)	-	28,447,330
Roads and stormwater	387,659,898	4,526,782	-	41,156,153	-	(19,249,661)	414,093,172
	961,812,230	**21,967,816**	**(192,000)**	**41,156,153**	**(34,079,700)**	**(44,641,492)**	**946,023,007**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Buildings	195,575,569	-	(8,102,152)	187,473,417
Computer equipment	2,692,093	413,382	(684,813)	2,420,662
Electricity	188,528,736	-	(5,891,556)	182,637,180
Furniture and fixtures	5,247,358	101,711	(795,072)	4,553,997
Land	64,687,126	-	-	64,687,126
Landfill sites	3,327,663	-	(50,485)	3,277,178
Motor vehicles	70,673,540	11,319,662	(8,996,818)	72,996,384
Office equipment	1,438,656	204,010	(285,742)	1,356,924
Other equipment	3,029,631	159,575	(486,586)	2,702,620
Capital Work In Progress	25,013,942	27,032,902	-	52,046,844
Roads and stormwater	402,157,961	1,985,105	(16,483,168)	387,659,898
	962,372,275	**41,216,347**	**(41,776,392)**	**961,812,230**

Figures in Rand	2015	2014

11. Property, plant and equipment (continued)

Pledged as security

Lease assets: Motor Vehicles	509,152	1,272,880
Lease assets: Office equipment	549,779	1,008,772

Leased assets are pledged as security over the finance lease obligation.

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	52,046,844	52,046,844
Additions/capital expenditure	15,781,507	15,781,507
Transfers	(43,697,006)	(43,697,006)
	24,131,345	**24,131,345**

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	25,013,942	25,013,942
Additions/capital expenditure	27,032,902	27,032,902
	52,046,844	**52,046,844**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

12. Heritage assets

	2015			2014		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	1,049,100	-	1,049,100	1,049,100	-	1,049,100

Reconciliation of heritage assets 2015

	Opening balance	Total
Art Collections, antiquities and exhibits	1,049,100	1,049,100

Reconciliation of heritage assets 2014

	Opening balance	Total
Art Collections, antiquities and exhibits	1,049,100	1,049,100

Figures in Rand	2015	2014

13. Other financial assets

	2015	2014
At amortised cost		
Fixed Deposits	312,429	304,533
Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 3.55 % to 5.35 % per annum. (2012 - 5.39% to 6.02%) with a accredited financial services institution (ABSA).		
Fixed deposits consist out of the following accounts:		
	-	-
	-	-
	312,429	304,533

	2015	2014
Account number 20-5775-0882 ABSA FIXED DEPOSIT	21,600	20,489
Account number 20-6068-1802 ABSA FIXED DEPOSIT	45,110	43,507
Account number 20-6068-1577 ABSA FIXED DEPOSIT	51,225	48,949
Account number 20-4601-2562 ABSA FIXED DEPOSIT	10,951	10,426
Account number 20-6066-7315 ABSA FIXED DEPOSIT	6,554	6,318
Account number 20-5423-8637 ABSA FIXED DEPOSIT	16,000	16,000
Account number 20-5441-0158 ABSA FIXED DEPOSIT	7,278	7,013
Account number 20-5487-1867 ABSA FIXED DEPOSIT	7,382	7,382
Account number 20-5488-0953 ABSA FIXED DEPOSIT	7,382	7,382
Account number 20-5533-9377 ABSA FIXED DEPOSIT	10,100	10,100
Account number 20-5759-5270 ABSA FIXED DEPOSIT	14,500	14,500
Account number 20-5868-1438 ABSA FIXED DEPOSIT	15,000	15,000
Account number 20-5874-5343 ABSA FIXED DEPOSIT	14,177	14,177
Account number 20-5874-5458 ABSA FIXED DEPOSIT	10,935	10,935
Account number 20-5874-5521 ABSA FIXED DEPOSIT	8,266	8,266
Account number 20-5923-6583 ABSA FIXED DEPOSIT	10,947	10,406
Account number 20-5923-6672 ABSA FIXED DEPOSIT	24,485	23,276
Account number 20-6423-5597 ABSA FIXED DEPOSIT	30,537	30,406
	312,429	**304,532**

	2015	2014
Non-current assets		
At amortised cost	312,429	304,533
Non-current assets	312,429	304,533
Current assets	-	-

14. Long term debtors

Consumer long term debtors by debtor type	Long Term Debt	Short Term Portion	Total
Government	-	1,517	1,517
Business	21,469	139,539	161,008
Residents and others	3,189,570	3,579,218	6,768,788
Subtotal	3,211,039	3,720,274	6,931,313
	3,211,039	**3,720,274**	**6,931,313**

The long debtors presented above, are the long term portion of the consumer debtors with arrangements in order to make the payments towards their outstanding balances.

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. Other financial liabilities

At amortised cost		
Bank loan	629,690	1,224,641

There are two annuity loans outstanding. The loans carries interest at 9.79% and 9.89% per annum respectively and will be fully redeemed on 01 December 2015 and 03 October 2016 respectively.

The loan is secured by an call investment deposit disclosed in note 8

The prior year balance has been restated due to errors corrected during the year, refer to note 50 for further details.

Non-current liabilities		
At amortised cost	105,766	629,690
Current liabilities		
At amortised cost	523,924	594,951

16. Finance lease obligation

Minimum lease payments due		
- within one year	1,176,154	1,553,359
- in second to fifth year inclusive	47,513	1,132,296
	1,223,667	2,685,655
less: future finance charges	(77,883)	(283,969)
Present value of minimum lease payments	**1,145,784**	**2,401,686**
Present value of minimum lease payments due		
- within one year	1,103,678	1,329,285
- in second to fifth year inclusive	42,106	1,072,401
	1,145,784	**2,401,686**
Non-current liabilities	42,106	1,072,400
Current liabilities	1,103,678	1,329,286
	1,145,784	**2,401,686**

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

17. Payables from exchange transactions

Trade payables	35,985,476	41,558,279
Debtors received in advance	1,184,667	3,974,012
Payroll payables	4,116	18,527
Pre-paid electricity	(7,516)	(7,516)
Other payables	1,073,764	947,846
	38,240,507	**46,491,148**

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

18. Consumer deposits

Electricity	9,230,952	8,922,314

18. Consumer deposits (continued)

Consumer deposits are made of deposits from consumers for the electricity connections, for those making use of the conventional electricity.

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Notes to the Annual Financial Statements

	2015	2014 Restated*

19. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

	2015	2014 Restated*
Carrying value		
Non Current portion of Post Retirement Benefits	(60,660,173)	(62,540,870)
Non Current portion of Long Term Services	(5,602,817)	(5,428,636)
Current portion of Post Retirement Benefits	(1,452,108)	(1,495,056)
Current portion of Long Term Services	(1,090,613)	(615,121)
Accrual for leave gratuity	(12,501,751)	(14,409,965)
	(81,307,462)	**(84,489,648)**

Non-current liabilities	(64,195,761)	(67,969,506)
Current liabilities	(17,111,701)	(16,520,142)
	(81,307,462)	**(84,489,648)**

The major categories of plan assets as a percentage of total plan assets are as follows:

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*

19. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	3,932,114	3,292,430
Interest cost	5,873,947	4,875,397
Actuarial (gains) losses	(8,969,856)	6,034,142
Curtailment or settlement	-	(2,326,260)
Leave pay provision	-	3,063,012
	836,205	**14,938,721**

Calculation of actuarial gains and losses

Other assumptions

	2015	**2014**
Pre retirement mortality	SA 85-90 L	SA 85-90 L
Post retirement mortality	PA (90)-1	PA (90)-1
Normal retirement age	63 years	63 years
Spouse age differences (male older than female)	3 years	3 years
AIDS	No assumption made	No assumption made

Defined contribution plan

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance:

	2015	2014
SALA Pension Fund	2,147,671	1,955,450
Cape Joint Retirement Fund	4,518,800	3,631,813
Cape Joint Pension Fund	201,327	167,596
Government Employees Pension Fund	-	2,793
Municipal Councilors Pension Fund	1,181,189	1,850,964
Municipal Employees Pension Fund	2,581,902	2,651,601
SAMWU National Provident Fund	468,243	445,592

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015	2014
Unspent conditional grants and receipts		
Expanded Public Works Program	76,011	1,443
Finance Management Grant	-	-
Municipal Infrastructure Grant	5,443,790	-
Municipal Systems Improvement Grant	375,465	775,900
Skills Development Grant - ISDG	-	686,540
Library Subsidy	174,700	174,700
LED Strategies & Spatial	821,689	821,689
Other Provincial Funds	4,001,350	4,178,864
District Municipality Grants	823,374	823,374
Other Grant Providers	1,775,812	2,002,347
Integrated National Electrification Grant	1,068,848	-
	14,561,039	**9,464,857**

Movement during the year

	2015	2014
Balance at the beginning of the year	9,464,856	17,186,462
Additions during the year	57,562,260	32,011,000
Income recognition during the year	(52,466,079)	(39,732,605)
	14,561,037	**9,464,857**

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

21. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	4,240,830	4,274	4,245,104

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	4,112,925	127,905	4,240,830

The municipality has 3 Landfill sites.

It is estimated that no site will be decommissioned within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the closure dates of the various sites.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. These costs are based on 100% utilisation of the site The assumptions used are as follows:

The discount rate used the calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. The following rate was used - 5% (2014 - 5%).

* See Note 3 & 49

Notes to the Annual Financial Statements

22. Service charges

	2015	2014 Restated*
Sale of electricity	171,875,697	158,949,477
Sewerage and sanitation charges	2,153	10,085
Refuse removal	28,985,753	30,936,510
	200,863,603	**189,896,072**

In the prior year inventories that related to Water operations were discontinued based on a decision taken by the Council of Chris Hani District Municipality to transfer the Water Services function to the District Municipality, at a Council meeting held during May 2014.

The transfer of these assets will be effective from the 01 July 2014.

Refer to note 42 for the note on discontinued operations.

23. Rental of facilities and equipment

	2015	2014 Restated*
Facilities and equipment		
Rental of facilities	200,824	158,978
Rental of equipment	106,451	61,287
Rental of container	21,918	40,209
Rental of munical property	2,431,384	2,242,085
	2,760,577	**2,502,559**
Premises	-	-
Garages and parking	-	-
Facilities and equipment	2,760,577	2,502,559

24. Other income

	2015	2014 Restated*
Advert Costs	439	18,217
Availability Charges	118,258	187,632
Certificates	4,454,022	4,695,092
Clean-up Projects	-	3,292
Commission	53,908	68,662
Community Levy	173,075	176,472
Cutting of Grass	(6,983)	10,144
Digging of Graves	195,113	213,665
Electricity Meters	7,162	6,389
Fees	3,406,190	3,782,309
Gate Monies	104,760	77,382
Hunting Packages	241,679	411,905
Internet	322	355
Lost Books and Records	64	602
Photocopies	51,598	48,376
Sales	762,779	718,579
Special Permits	199,227	196,658
Staff Deductions	-	300
Sundry Revenue	12,265,434	4,171,909
Surplus Cash	649	4,418
	22,027,696	**14,792,358**

Notes to the Annual Financial Statements

	2015	2014 Restated*

25. Investment revenue

Interest revenue		
Bank Accounts	6,987,265	5,437,176
Call Deposits	1,849,932	2,619,803
	8,837,197	**8,056,979**
	-	-
	8,837,197	8,056,979

26. Property rates

Rates received

Assessment rates	66,069,013	72,156,608
Income forgone	-	2,017,786
	66,069,013	**74,174,394**

Basic Rate:		
Residential	0.00705900	0.007551
Businesses, Commercial, Industrial	0.0089250	0.009439
Educational	0.0070590	0.007551
Public Service Infrastructure	0.0018020	0.001900
Vacant Land	0.032970	0.033167
Infrastructure Rate	81.91	70.25397

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

Agricultural	897,236,027	656,095,599
Business	2,198,430,567	1,534,697,669
Churches	877,500	13,333,570
Education	523,657,473	507,771,540
Government	262,980,972	346,576,840
Industrial	24,244,000	34,161,600
Municipal	260,625,151	102,622,452
Public Benefit Organisation	19,995,540	5,365,040
Public Service Infrastructure	31,460,803	66,087,211
Residential	6,151,987,317	5,516,157,695
Specialised Non-Market Properties	1,190,000	121,570,280
Vacant Land	250,179,775	315,347,045
	0,622,865,125	**9,219,786,541**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted.

* See Note 3 & 49

	2015	2014 Restated*

27. Government grants and subsidies

Operating grants		
Equitable share	115,532,287	112,656,000
National Government Grants	7,460,407	6,203,534
Provincial Government Grants	4,150,000	4,150,000
Other grant providers	584,412	400,742
	127,727,106	123,410,276
Capital grants		
Municipal Infrastructure Grant	37,147,210	33,778,200
Integrated National Electrification Grant	1,931,152	-
	39,078,362	33,778,200
	166,805,468	**157,188,476**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	8,022,200
Current-year receipts	42,591,000	25,756,000
Conditions met - transferred to revenue	(37,147,210)	(33,778,200)
	5,443,790	**-**

Conditions still to be met - remain liabilities (see note 20).

The grant was used to construct roads and storm water infrastructure, with the main focus on the historically disadvantaged areas.

Integrated National Electrification Grant

Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(1,931,152)	-
	1,068,848	**-**

Conditions still to be met - remain liabilities (see note 20).

The grant was provided for rural electrification, with the main focus on the historically disavantaged areas.

Expanded Public Works Program

Balance unspent at beginning of year	1,443	86,810
Current-year receipts	1,714,000	1,515,000
Conditions met - transferred to revenue	(1,639,432)	(1,600,367)
	76,011	**1,443**

Conditions still to be met - remain liabilities (see note 20).

This program is aimed at providing poverty en income relief through the creation of temporary work opportunities.

Municipal Systems Improvement Grant

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*

27. Government grants and subsidies (continued)

Balance unspent at beginning of year	775,900	174,304
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(1,334,435)	(288,404)
	375,465	**775,900**

Conditions still to be met - remain liabilities (see note 20).

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

FMG Funds

Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,000)	(1,550,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 20).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Skills Development Grant - ISDG

Balance unspent at beginning of year	686,540	1,151,303
Current-year receipts	2,200,000	2,300,000
Conditions met - transferred to revenue	(2,886,540)	(2,764,763)
	-	**686,540**

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Library Subsidy

Balance unspent at beginning of year	174,700	174,700
Current-year receipts	4,150,000	4,150,000
Conditions met - transferred to revenue	(4,150,000)	(4,150,000)
	174,700	**174,700**

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

LED Strategies & Spatial

Balance unspent at beginning of year	821,689	821,689
Current-year receipts	-	117,400
Conditions met - transferred to revenue	-	(117,400)
	821,689	**821,689**

Conditions still to be met - remain liabilities (see note 20).

27. Government grants and subsidies (continued)

The grant is to be used for the promotion of the LED function in the municipality and areas serviced by the municipality.

Notes to the Annual Financial Statements

	2015	2014 Restated*

27. Government grants and subsidies (continued)

Other Provincial Funds

Balance unspent at beginning of year	4,178,864	4,096,343
Current-year receipts	1,373,260	110,271
Conditions met - transferred to revenue	(1,550,774)	(27,750)
	4,001,350	**4,178,864**

Conditions still to be met - remain liabilities (see note 20).

District Municipality Grants

Balance unspent at beginning of year	823,374	784,196
Current-year receipts	-	39,178
	823,374	**823,374**

Conditions still to be met - remain liabilities (see note 20).

Other Grant Providers

Balance unspent at beginning of year	2,002,347	1,874,918
Current-year receipts	-	127,429
Conditions met - transferred to revenue	(226,535)	-
	1,775,812	**2,002,347**

Conditions still to be met - remain liabilities (see note 20).

* See Note 3 & 49

Notes to the Annual Financial Statements

28. Employee related costs

	2015	2014 Restated*
Basic	70,397,877	66,838,359
Bonus	381,749	352,481
Casual labour	3,978,317	4,096,083
Contract Workers	5,814,362	5,584,656
Defined contribution plans	5,873,947	4,875,397
Leave encashment	849,302	16,851,684
Housing benefits and allowances	198,534	186,896
Leave pay provision charge	5,338,387	3,063,012
Medical aid - company contributions	7,165,582	6,446,792
Group Life Insurance	546,256	543,732
Pension Fund Contributions	14,134,425	10,058,894
Other short term costs	589,009	496,010
Overtime payments	6,462,748	5,530,023
Travel, motor car, accommodation, subsistence and other allowances	3,429,551	3,287,103
UIF	682,229	659,556
WCA	573,296	73,240
	126,415,571	**128,943,918**

Remuneration of Municipal Manager

	2015	2014 Restated*
Annual Remuneration	106,929	1,210,696
Acting Allowance	324,486	111,544
Golden handshake	1,369,005	-
Other Allowance	7,304	84,000
Leave payout	355,941	-
	2,163,665	**1,406,240**

The noted above was a settlement given to the former Municipal Manager as a result of an arbitration award ruling.

Remuneration of Chief Finance Officer

	2015	2014 Restated*
Annual Remuneration	336,056	545,109
Acting Allowance	148,674	55,009
Other Allowance	122,278	-
Bonuses	-	55,987
Leave payout	-	167,694
	607,008	**823,799**

Remuneration of the Director: Technical Services

	2015	2014 Restated*
Annual Remuneration	-	702,973
Acting Allowance	108,653	13,801
Bonuses	-	67,638
Other Allowance	-	55,000
Leave payout	-	620,110
	108,653	**1,459,522**

Remuneration of the Director: Community and Social Services

	2015	2014 Restated*
Annual Remuneration	522,597	822,429
Acting Allowance	39,168	-
Bonuses	-	67,638
Other Allowance	199,866	-

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*
28. Employee related costs (continued)		
Leave payout	485,029	-
	1,246,660	**890,067**

Remuneration of the Director: Corporate and Support Services

Annual Remuneration	778,695	274,373
Bonuses	-	34,588
Acting Allowance	1,691	5,073
Other Allowance	86,436	41,718
Leave payout	-	129,497
	866,822	**485,249**

Remuneration of the Director: Human Settlements

Annual Remuneration	451,105	735,502
Acting Allowance	56,524	-
Bonuses	-	67,638
Other Allowance	271,272	83,316
Leave payout	962,652	-
	1,741,553	**886,456**

Remuneration of the Director: Strategic Executive

Annual Remuneration	611,775	737,559
Acting Allowance	6,893	-
Bonuses	-	67,638
Other Allowance	327,232	83,316
Leave payout	-	-
	945,900	**888,513**

Remuneration of the Director: IPED

Annual Remuneration	877,437	716,920
Bonuses	-	-
Acting Allowance	-	-
Other Allowance	1,866	-
Leave payout	-	-
	879,303	**716,920**

Notes to the Annual Financial Statements

	2015	2014 Restated*

29. Remuneration of councillors

Honourable Mayor	770,497	728,269
M-PAC	544,841	517,129
Chief Whip	577,656	552,319
Speaker	621,291	587,508
Ward Committee Members	3,158,195	3,096,117
Councillors' Salaries	10,429,245	9,769,342
Contributions to Medical, Pension Funds and UIF	1,842,329	4,049,520
Executive Committee Members	4,361,490	4,418,552
	22,305,544	**23,718,756**

Executive Committee Members

Mr S BG Van Heerden	583,991	552,319
Mr TM Jocki	399,705	-
Ms NC Pambo	583,991	552,319
Mr BE Mngese	-	571,433
Mr M Peter	583,991	549,112
Mr MZ Gwantshu	583,991	552,319
Mr AE Hulushe	582,011	544,366
Mr MM Matiwane	184,106	544,366
Mrs Sopapaza-Lungisa	583,991	552,319
Mr ML Dyan	393,549	-
	4,479,326	**4,418,553**

30. Vending management fee

31. Depreciation and amortisation

Property, plant and equipment	43,657,144	41,707,950

32. Finance costs

Finance leases	157,287	194,850
Current borrowings	245,785	431,645
	403,072	**626,495**

33. Debt impairment

Contributions to debt impairment provision	4,472,886	76,742,575

In the prior year receivables from exchange transactions that related to Water and Sanitation operations were discontinued based on a decision taken by the Council of Chris Hani District Municipality to transfer theWater Services function to the District Municipality, at a Council meeting held during May 2014.

The transfer of these assets will be effective from the 01 July 2014.

Refer to note 42 for the note on discontinued operations.

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*

34. Repairs and maintenance

Electricity Reticulation	2,731,749	702,922
Fencing	-	819,851
Furniture and office equipment	-	-
Land and Buildings	449,513	3,667,397
Landfill Site	-	-
Plant and machinery	3,773,921	148,699
Sewerage Reticulation	-	91,090
Street Lights	-	139,421
Streets and stormwater	1,166,375	1,755,760
Tools and equipment	54,354	150,864
Vehicles and Implements	-	-
Water Reticulation	-	1,950,446
Other	236,343	10,641
	8,412,255	**9,437,091**

35. Bulk purchases

Electricity	164,019,181	153,712,218

36. Contracted services

Information Technology Services	3,616,377	2,539,466
Fleet Services	2,232,807	1,238,247
	5,849,184	**3,777,713**

37. Grants expenditure

Other	7,873,531	5,971,630
Poor relief - free basic services	260,568	7,882,723
	8,134,099	**13,854,353**
Grants paid to ME's	-	-
Other subsidies	8,134,099	13,854,353

Notes to the Annual Financial Statements

	2015	2014 Restated*

38. General expenses

Advertising	727,611	419,705
Ammunition	4,515,010	2,907,068
Bank charges	898,891	1,156,703
Aids council	-	93,358
World Aids Day	17,400	120,351
Consulting and professional fees	17,178,486	7,767,508
Consumables	841,396	872,220
Debt collection	67,995	170,731
Donations	175,000	125,000
Entertainment	621,048	496,276
Conferences and delegations	-	262,850
Animal Costs	785,226	968,787
Insurance	1,625,625	895,414
Conferences and delegations	49,140	65,598
IT expenses	3,212	152,913
Horticulture	4,490	9,181
Promotions	12,600	12,600
Levies	2,877,520	2,309,901
Medical expenses	25,161	28,980
Motor vehicle expenses	184,389	213,932
Fuel and oil	8,198,707	10,986,674
Postage and courier	1,115,098	1,156,748
Printing and stationery	728,439	767,570
Women / Youth / Disabled	86,947	251,186
Protective clothing	586,239	610,994
License fees	1,496,060	1,240,107
Subscriptions and membership fees	52,817	157,439
Telephone and fax	2,810,612	1,970,091
Training	921,354	1,161,668
Travel - local	1,767,460	1,715,146
Assets expensed	-	96,065
Electricity	1,084,417	1,323,297
Sewerage and waste disposal	6,359	143,135
Water	122,775	446,313
Refuse	140,017	54,013
Utilities - Other	93,953	-
Tourism development	19,668	15,650
Vending management fee	551,116	900,953
Chemicals & laboratory services	98,773	126,742
Valuation costs	110,507	6,910,082
Other expenses	141,622	127,498
	50,743,140	**49,210,447**

The prior year balance has been restated due to errors corrected during the year, refer to note 49 for further details.

39. Auditors' remuneration

Fees	4,515,010	2,907,068

40. Fair value adjustments

Investment property	-	28,347,380

* See Note 3 & 49

	2015	2014 Restated*

41. Gains or losses on biological assets

Gains or losses arising from a change in fair value less point of sale costs	-	326,540

42. Discontinued operations

Water and Sanitation operations were discontinued based on a decision taken by the Council of Chris Hani District Municipality to transfer the Water Services function to the District Municipality, at a Council meeting held during May 2014.

The transfer of the assets and liabilities will be effective from the 01 July 2014.

The assets were transferred to Chris Hani District Municipality for no consideration.

Surplus / Deficit

Revenue	-	102,865,376
Expenses	(15,041,310)	(89,912,390)
Post-tax surplus or deficit of discontinued operations	**(15,041,310)**	**12,952,986**

43. Disposal of significant assets and liabilities

Water and Sanitation operations were discontinued based on a decision taken by the Council of Chris Hani District Municipality to transfer the Water Services function to the District Municipality, at a Council meeting held during May 2014.

The transfer of the assets and liabilities will be effective from the 01 July 2014.

The assets were transferred to Chris Hani District Municipality for no consideration.

Description of the assets and liabilities

The following are all the assets and liabilities included in the above set of financial statements which will be disposed during the year with the Water and Sanitation services function.

Carrying values		
Carrying values of the inventories	7,496	-
Carrying values of the receivables	54,933,830	-
Trade Payables	(3,715,049)	-

44. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Other financial assets	312,429	312,429
Trade and other receivables from exchange transactions	48,315,416	48,315,416
Other receivables from non-exchange transactions	39,386,423	39,386,423
Cash and cash equivalents	183,834,219	183,834,219
	271,848,487	**271,848,487**

Financial liabilities

Notes to the Annual Financial Statements

	2015	2014 Restated*

. Financial instruments disclosure (continued)

	At amortised cost	Total
Other financial liabilities	629,690	629,690
Trade and other payables from exchange transactions	39,175,608	39,175,608
Consumer deposits	9,230,952	9,230,952
Unspent conditional grants and receipts	12,797,008	12,797,008
	61,833,258	**61,833,258**

2014

Financial assets

	At amortised cost	Total
Other financial assets	304,532	304,532
Trade and other receivables from exchange transactions	22,895,514	22,895,514
Other receivables from non-exchange transactions	9,980,738	9,980,738
Cash and cash equivalents	128,963,900	128,963,900
	162,144,684	**162,144,684**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1,224,641	1,224,641
Trade and other payables from exchange transactions	39,466,234	39,466,234
Consumer deposits	8,922,314	8,922,314
Unspent conditional grants and receipts	9,464,856	9,464,856
	59,078,045	**59,078,045**

45. Cash generated from operations

	2015	2014 Restated*
Surplus	50,806,747	6,797,207
Adjustments for:		
Depreciation and amortisation	43,657,144	41,707,950
Loss on sale of assets and liabilities	-	(326,540)
Fair value adjustments	-	(28,347,380)
Finance costs - Finance leases	157,287	194,850
Actuarial loss/(Gain)	-	6,034,142
Finance costs	-	4,875,397
Debt impairment	4,472,886	76,742,575
Movements in retirement benefit assets and liabilities	(3,182,186)	(1,486,230)
Movements in provisions	4,274	127,905
Other non-cash items	6,116,867	24,449,016
Changes in working capital:		
Inventories	7,496	68,107
Receivables from exchange transactions	11,840,665	(83,769,907)
Consumer debtors	(4,472,886)	-
Other receivables from non-exchange transactions	(28,128,054)	(38,897,048)
Payables from exchange transactions	(8,250,641)	18,755,863
VAT	-	(8,979,569)
Unspent conditional grants and receipts	5,096,182	(7,721,606)
Consumer deposits	308,638	240,679
	78,434,419	**10,465,411**

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Approved but not yet paid	20,280,514	47,825,888
Total commitments		
Already contracted for but not provided for	20,280,514	47,825,888

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

47. Contingencies

The list of contingent liabilities is as follows:

1. Matter: Lukhanji Municipality vs. Tembani Village	-	15,216
2. Matter: Lukhanji Municipality vs. O Nomeva	-	5,000
3. Matter: Lukhanji Municipality vs. SAMWU obo Cata and 45 Others	750,000	750,000
4. Matter: Lukhanji Municipality vs. Siyahlutha Developers	2,500,000	2,500,000
5. Matter: Lukhanji Municipality vs. Magqabi, A V	10,000	100,000
6. Matter: Lukhanji Municipality vs. Mekile & 7 Others	-	15,000
7. Matter: Lukhanji Municipality vs. B Gidzana	800,000	100,000
8. Matter: Lukhanji Municipality vs. Boki & Linganiso	-	50,000
9. Matter: Lukhanji Municipality vs. Denmark Investments: Departure	-	55,488
10. Matter: Lukhanji Municipality vs. Civil and General Contractors	1,379,544	-
11. Matter: Lukhanji Municipality vs. Suid Kaap Waardeerders CC	653,536	-
	6,093,080	**3,590,704**

	2015	2014 Restated*

48. Related parties

Relationships

Accounting Officer	Amahlumela Research Sustainability And Education
	Qgqiba And Sons Trading
	The Gideon Boutique Guest House
Chief Whip	Happy Valley Abattoir Primary Co-Operative Limited
	Sanelisa Services
	Tlholo Entrepreneur Support Centre
Coucillors	-
Van Heerden Bondiwe Gladness	Neleecha Trading Enterprise
Hebe Matata	Cains Agricultural Co-Operative Limited
Feketshane Fundile	Zisamo Building Construction
Hebe Bennlow Obrien	Nkonjan'Emnyama Civil And Building Construction
	Royal Hotel
Xhelisilo Malibongwe	Sikhusele Business Enterprise
Thole Mzwandile Joseph	Ariano 350
Nquma Nombuyiselo Patricia	Fenas And Nquma Civil And Property Developers
Siyo Mfundo Napoleon	Thembalesizwe Prop Developers
Ngesi Mzikabawo	Soluthando Trading Enterprise
Shaw Jerome Matthew	Bekker And Mostert
	Cut Make And Trim (Transkei)
Kopolo Nokwayiyo Amelia	Imbo Yethu Agricultural
Pambo Nelisa Constance	Luk Nel Trading And Projects
	Luknel
	Liznel Properties
	Ngomazula Trading 7
Ndinise Makwenkwe Elvis	Siyahlutha Developers
	Bakhonabonke Builders
	Whittle Sea Builders And Civil Company
	Makhwezi Building Corporation
Mvana Sibusiso Eric	Sibusiso Mvana Trading Enterprise
Mngese Bongani Elvis	Sakhise Construction
Lungisa Funeka Sybu	Njongo Zabantu
Mfundisi Nomalizo	Hewu Farming Projects
Manzana-Sovendle Khangelwa	Greater Whittlesea Construction
Mandile Prince-Phillip Zuko	Mfe-Gebe Trading
Matiwane Mxolisi Mickly	Striving Mind Trading 285
Jocki Tembile Maxwell	Amacele Trading Enterprise
	Corpclo 1262
	Siyacubeka Construction
Hulushe Andiswa Eudora	Yizanabo Funeral And Grave Services Primary
	Women'S Desire Construction And Trading
Dya Mzundile Lawrence	Dyan'S Civil And General Services
	Guaroy Security Services
	Ubutu Business Promotion
De Wet Johannes Christoffel	Bekker And Mostert
	Plateau Game Ranch
Bokuva Archibald Vukile	Sqalo Braai And Butchery
	Enzokuhle Enterprise
Members of key management	-
Ntshanga Nomtandazo	Bravopix 176
	Spring Forest Trading 666
	Silver Solutions 2600
George Zebalunge	Lathiba Consulting Engineers
Sondlo Luyanda Ivan	Uyanda'S Trading Enterprise
Nkonki Siyabonga	Isisele Consulting
	Lumanyano Suppliers

48. Related parties (continued)

	Nkonki Driving School
Mbele Nolitha Estelle	Sbu And Noli Trading
Feketshane Fundile	Isisele Consulting
	Nnmf Consultants
Nuku Ayanda	Queenstown Telecommunication
Sagela Thulani Dicksy Levi	Umthombo Code Academy
	Premier Attraction 318
Mxenge Andile	Enzokuhle Enterprise

Refer to note 28 and 29 for the disclosure of the remuneration of Key Management and members of councillors.

Related party transactions

No councillors or staff disclosed that they were members of entities which was listed on the approved supplier database.

Notes to the Annual Financial Statements

	2015	2014 Restated*

49. Prior period errors

The following errors have been noted and corrected in current financial period financial statements as follows:

Statement of Financial Position

Assets

Current Assets

Receivables from exchange transactions

During the audit it was noted that the Receivables from exchange transactions had been previously misstated due to VAT and Interest misallocations.

Furthermore the debt impairment provision was recalculated, which resulted in the receivables from exchange trasactions being adjusted.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Receivables from non-exchange transactions

During the audit it was noted that the Receivables from non-exchange transactions had been previously misstated due to Interest misallocations. The debt impairment provision was recalculated, which resulted in the receivables from exchange transactions being adjusted.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

VAT receivable

During the period a thourough excercise to rectify creditors was undertaken where it was noted that VAT in the prior period was either ommited or misstated. As such an adjustment had to be made to the VAT receivable, corresponding expenditure and trade payables which relate to such input VAT.

Non - Current Assets

Biological assets

During the period a thourough excercise to rectify the assets' balances was undertaken where it was noted that Biological assets in the prior period were misstated.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Property, plant and equipment

During the period a thourough excercise to rectify the assets' balances was undertaken where it was noted that Property, plant and equipment in the prior period were either ommited or misstated.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Intangible assets

During the period a thourough excercise to rectify the assets' balances was undertaken where it was noted that Intangible assets in the prior period were either ommited or misstated.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Liabilities

* See Note 3 & 49

49. Prior period errors (continued)

Finance lease obligation

During the prior period it was noted that the leases for office equipment were incorrectly classified as an operating lease. As such, a revised calculation was performed taking into account all the finance leases schedules.

The finance costs along with the corresponding finance lease liability and expenditure have been adjusted to correct this error. The error has been adjusted for in the comparitive and restatements have been performed in the finance lease and operating lease disclosure note.

Payables from exchange transactions

During the period a reconciliation and update of the credit listing was performed, from which it was noted that some of the creditors were not accrued for and some of the creditors raised had been reversed. As such an adjustment was processed in order to correct the errors and account for ommitted creditors.

During the period the leave pay provision and the bonus provision were reclassified to current portion employee benefit obligation.

Employee benefit obligation

During period it was noted that some of the leave was not captured during the 2012/13 & 2013/14 financial period, as a result the leave pay provision and corresponding leave pay expenditure have been adjusted to correct this error.

Net Assets

Accumulated surplus

Due to the adjustments processed in the restatements of this note in prior periods and comparative, resulted in changes in the accumulated surplus.

Statements of Financial Performance

Expenditure

Employee related costs

In the prior year Water and Sanitation operations were discontinued based on a decision taken by the Council of Chris Hani District Municipality to transfer theWater Services function to the District Municipality, at a Council meeting held during May 2014.

Employee related costs that related to Water and Sanitation operations were taken to the discountinued operations, refer to note 42.

Remuneration of councillors

In the prior year, the medical aid and pension for the councillors was erreneously included in the employee related costs, as such these errors have been adjusted for in the comparitive and restatements have been performed in the note.

Depreciation and amortisation

During the period a thourough excercise to rectify the assets' balances was undertaken where it was noted that depreciation in the prior period was either ommited or misstated.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Finance costs

49. Prior period errors (continued)

During the prior period it was noted that the leases for office equipment were incorrectly classified as an operating lease. As such, a revised calculation was performed taking into account all the finance leases schedules.

The finance costs along with the corresponding finance lease liability and expenditure have been adjusted to correct this error. The error has been adjusted for in the comparitive and restatements have been performed in the finance lease and operating lease disclosure note.

Debt Impairment

During the period, the debt impairment provision was recalculated, which resulted in the receivables from exchange transactions and nonexchange transactions being adjusted.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Repairs and maintenance

During the period the expenditure related to the delegated management had been split between bulk and sanitation costs. The Repairs and maintenance that related to Water and Sanitation operations were taken to the discountinued operations, refer to note 42.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Bulk purchases

During the period the expenditure related to the delegated management had been split between bulk and sanitation costs. The Repairs and maintenance that related to Water and Sanitation operations were taken to the discountinued operations, refer to note 42.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Contracted services

During the period a reconciliation and update of the credit listing was performed, from which it was noted that some of the expenditure were not accrued for and some of the expenditure raised had been reversed. As such an adjustment was processed in order to correct the errors and account for ommitted expenditure.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

General Expenses

During the period the expenditure related to the delegated management had been split between bulk and sanitation costs.

During the period a reconciliation and update of the credit listing was performed, from which it was noted that some of the expenditure were not accrued for and some of the expenditure raised had been reversed. As such an adjustment was processed in order to correct the errors and account for ommitted expenditure.

The general expenses that related to Water and Sanitation operations were taken to the discountinued operations, refer to note 42.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Fair value adjustments

During the period a thourough excercise to rectify the assets' balances was undertaken where it was noted that Biological assets' fair value gains or losses in the prior period were misstated.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Notes to the Annual Financial Statements

	2015	2014 Restated*

49. Prior period errors (continued)

Discontinued operations

n the prior year Water and Sanitation operations were discontinued based on a decision taken by the Council of Chris Hani District Municipality to transfer theWater Services function to the District Municipality, at a Council meeting held during May 2014.

These errors have been adjusted for in the comparitive and restatements have been performed in the note.

Disclosure

Irregular Expenditure

During the current period the muncipality embarked on exercise to rectify and update the irregular expenditure, which led to these errors have been adjusted for in the comparitive and restatements have been performed in the note.

Cash Flow Statement

As a result of the above adjustments, the cash flow statement has been restated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Current Assets

	2015	2014
Receivables from exchange transactions		
Previously reported	19,978,648	15,165,486
Reclassification to Other Debtors	846,247	-
Correction of errors	17,052,503	-
Reclassification to Other Payables	(1,626,238)	-
	36,251,160	**15,165,486**
Receivables from non-exchange transactions		
Previously reported	54,070,855	26,720,216
Correction of errors	(44,090,117)	-
	9,980,738	**26,720,216**
VAT receivable		
Previously reported	27,109,038	14,205,360
Correction of errors	(3,924,109)	(3,795,028)
	23,184,929	**10,410,332**

Non-Current Assets

	2015	2014
Biological assets		
Previously reported	-	-
Change in accounting policy - PPE	2,265,580	2,196,825
Correction of errors	326,540	-
	2,592,120	**2,196,825**
Investment property		
Previously reported	153,473,367	125,125,987

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*
49. Prior period errors (continued)		
Correction of error	157,088,335	185,435,715
	310,561,702	**310,561,702**
Property, plant and equipment		
Previously reported	682,528,491	639,729,888
Change in accounting policy - Biological assets	(2,265,580)	(2,196,825)
Correction of errors	281,549,319	326,992,206
	961,812,230	**964,525,269**
Long term debtors		
Previously reported	-	-
Correction of errors - Raising Long Term debtor	3,438,791	-
	3,438,791	**-**
Heritage Assets		
Previously reported	-	-
Adjustment	1,049,100	1,049,100
	1,049,100	**1,049,100**
Current Liabilities		
Finance lease obligation		
Previously reported	-	-
Change in accounting policy - Current Portion of Long-term Liabilities	800,284	1,162,884
Correction of Errors - Change in accounting policy	529,002	-
	1,329,286	**1,162,884**
Payables from exchange transactions		
Previously stated	62,538,792	37,572,737
Change in accounting policy - Staff Leave	(22,316,258)	(16,862,365)
Reclassification to Other Debtors	(846,247)	-
Correction of errors - Creditors	12,906,951	-
Reclassification from Other Receivables	(1,626,239)	-
	50,656,999	**20,710,372**
Employee benefit obligation		
Previously reported	2,110,177	2,326,260
Change in accounting policy - Accrual for leave gratuity	22,316,258	16,862,365
Correction of errors - Leave	(7,906,293)	-
	16,520,142	**19,188,625**
Unspent conditional grants and receipts		
Previously reported	9,394,169	17,526,934
Reclassification to Unspent Conditional Government Grants and Receipts (Debtor)	(178,441)	(340,472)
Correction of errors - Creditors	249,128	-
	9,464,856	**17,186,462**

Non-Current Liabilities

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*

49. Prior period errors (continued)

Finance lease obligation

Previously reported	-	-
Change in accounting policy - Long-term Liabilities	515,479	2,618,011
Correction of Errors - Change in accounting policy	556,921	-
	1,072,400	**2,618,011**

Net Assets

Accumulated surplus

Previously reported	908,898,577	864,176,767
Correction of errors	432,830,120	-
	1,341,728,697	**864,176,767**

Expenditure

Employee related costs

Previously reported	139,172,975	104,899,680
Reclassification - General Expenses	352,481	-
Correction of errors - Councillors' medical aid and pension fund	(4,049,520)	-
Reclassification - Interest on Employee Benefit Obligations	4,875,397	-
Correction of errors	(11,407,415)	-
	128,943,918	**104,899,680**

Remuneration of councillors

Previously reported	19,669,236	18,065,144
Correction of errors - Councillors' medical aid and pension fund	4,049,520	-
	23,718,756	**18,065,144**

Depreciation and amortisation

Previously reported	23,896,636	24,272,166
Correction of errors	17,811,314	-
	41,707,950	**24,272,166**

Finance costs

Previously reported	5,307,042	6,396,548
Reclassification - Interest on Employee Benefit Obligations	(4,875,397)	-
Correction of error - Leases	194,850	-
	626,495	**6,396,548**

Debt Impairment

Previously reported	77,379,081	-
Correction of errors - Receivables	(636,506)	-
	76,742,575	**-**

Repairs and maintenance

Previously reported	12,447,265	14,357,967
Reclassification - General Expenses	333,841	-
Correction of errors	(3,344,015)	-
	9,437,091	**14,357,967**

* See Note 3 & 49

	2015	2014 Restated*

49. Prior period errors (continued)

Bulk purchases		
Previously reported	153,373,598	149,857,844
Correction of errors	338,620	-
	153,712,218	**149,857,844**

Contracted services		
Previously reported	3,775,836	3,112,895
Correction of errors	1,877	-
	3,777,713	**3,112,895**

General Expenses		
Previously reported	94,471,147	75,304,352
Reclassification - Employee Costs	(352,481)	-
Reclassification - Repairs & Maintenance	(333,841)	-
Reclassification - Vending management fee	(900,953)	-
Correction of error - Delegated Management	(46,226,331)	-
Correction of errors - Water & Sanitation	(29,615,590)	-
Correction of errors - Creditors	32,168,496	-
	49,210,447	**75,304,352**

Fair value adjustments		
Previously reported	28,347,380	35,972,340
Correction of errors - Biological assets	326,540	-
	28,673,920	**35,972,340**

Discontinued operations		
Reclassification - Service charges	58,278,509	-
Reclassification - Interest received - debtors	10,479,200	-
Reclassification - Public contributions and donations	34,107,667	-
Reclassification - Employee Related Costs	(10,983,510)	-
Reclassification - Bulk purchases	(34,052,723)	-
Reclassification - Repairs and maintenance	(15,260,567)	-
Reclassification - General Expenses	(29,615,590)	-
	12,952,986	**-**

Cash flow statement

Cash flow from operating activities		
Previously reported	24,541,672	-
Correction of errors	(38,646,887)	-
	(14,105,215)	**-**

Cash flow from investing activities		
Previously reported	66,733,229	-
Correction of errors	(140,117,157)	-
	(73,383,928)	**-**

Cash flow from financing activities		
Previously reported	3,108,240	-
Correction of errors	(5,130,558)	-

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*
49. Prior period errors (continued)		
	(2,022,318)	**-**

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*

50. Comparative figures

Certain comparative figures have been reclassified as follows:

1. Biological Assets which consistitute of the game animals, have been reclassified from have been reclassified from Property, plant and equipment. he reclassification is to account for the Biological assets under GRAP 27 in the current year.

2. Accrual for leave gratuity have been reclassified from Payables from exchange transactions to Employee benefits obligations. The reclassification is to account for the Accrual for leave gratuity under GRAP 25.

3. Unspent conditional grant's receivable was reclassified to be included in the Unspent conditional grants and receipts in the current year. The reclassification is to correctly classified within the Unspent conditional grants and receipts.

3. Finance lease obligation has been reclassified from Long term loans. The reclassification is to account for the finance lease obligation under GRAP 13.

4. Long term loans have been changed to Other financial liabilities during the current year.

5. The government bonds have been reclassified to the fixed deposits. The correction is to correct an error made where the fixed deposit was incorrectly classified as government bonds

6. WSSA Contribution has been reclassified to Governments Grants & Subsidies from Other Income.

7. Rental of Facilities (Carports & Signs) has been reclassified to Rental of Facilities & Equipment from Other Income.

8. The Councillors' medical aid and pension fund has been reclassified to Remuneration of Councillors. The Councillors' medical aid and pension fund had been previously disclosed.

9. Service Bonus paid and Interest on Employee Benefit Obligation has been reclassified from General Expenses to Employee related costs

10. Repairs and maintenance have been reclassified from general expenses to Repairs and maintenance line item.

11. Vending management fee has been reclassified from general expenses to Vending management fee line item.

12. Feeding & Herding Fees have been changed to Animal costs during the current year.

13.CAPEX budget funded projects transferred to Statement of Performance under the general expenses have been reclassified to Consultant Fees.

The effects of the reclassification are as follows:

Statement of financial position

Current Assets

	2015	2014
Unspent conditional grants and receipts		
Previously stated	-	178,441
Reclassification - Unspent conditional grants and receipts	-	(178,441)
	-	**-**
Receivables from exchange transactions		
Previously stated	-	19,978,648
Reclassification - Payables from exchange transactions	-	846,247
Correction of errors	-	17,052,503
Reclassification to Other Payables	-	(1,626,238)
	-	**36,251,160**

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*

50. Comparative figures (continued)

Non-Current Assets

Biological assets		
Previously stated	-	-
Reclassification - Property, plant and equipment	-	2,265,580
Correction of errors	-	326,540
	-	**2,592,120**
Property, plant and equipment		
Previously stated	-	682,528,491
Reclassification - Biological assets	-	(2,265,580)
Correction of errors	-	292,937,530
	-	**973,200,441**
Other financial assets		
Previously stated	-	304,533
Reclassification - Government Bonds	-	(20,489)
Reclassification - Fixed Deposits	-	20,489
	-	**304,533**

Current Liabilities

Current Portion of Long-term Liabilities		
Previously stated	-	(1,395,235)
Reclassification - Other financial liabilities	-	594,951
Reclassification - Finance lease obligation	-	800,284
	-	**-**
Other financial liabilities		
Previously stated	-	-
Reclassification - Current Portion of Long-term Liabilities	-	(594,951)
	-	**(594,951)**
Finance lease obligation		
Previously stated	-	-
Reclassification - Current Portion of Long-term Liabilities	-	(800,284)
Correction of Errors - Change in accounting policy	-	(244,197)
	-	**(1,044,481)**
Payables from exchange transactions		
Previously stated	-	(62,538,792)
Reclassification - Receivables from exchange transactions	-	846,247
Reclassification - Employee benefit obligation	-	22,316,258
Correction of errors - Creditors	-	(12,906,951)
Reclassification from Other Receivables	-	1,626,239
	-	**(50,656,999)**
Employee benefit obligation		
Previously stated	-	(2,110,177)

* See Note 3 & 49

Notes to the Annual Financial Statements

	2015	2014 Restated*
50. Comparative figures (continued)		
Reclassification - Payables from exchange transactions	-	(22,316,258)
Correction of errors - Leave	-	7,906,293
	-	**(16,520,142)**
Unspent conditional grants and receipts		
Previously stated	-	(9,394,169)
Reclassification - Unspent conditional grants and receipts	-	178,441
Correction of errors - Creditors	-	(249,128)
	-	**(9,464,856)**
Non-Current Liabilities		
Long-term Liabilities		
Previously stated	-	(1,145,169)
Reclassification - Other financial liabilities	-	629,690
Reclassification - Finance lease obligation	-	515,479
	-	**-**
Other financial liabilities		
Previously stated	-	-
Reclassification - Long-term Liabilities	-	(629,690)
	-	**(629,690)**
Finance lease obligation		
Previously stated	-	-
Reclassification - Long-term Liabilities	-	(515,479)
Correction of Errors - Change in accounting policy	-	(841,726)
	-	**(1,357,205)**
Statement of Financial Performance		
Revenue from exchange transactions		
Rental of facilities and equipment		
Previously stated	-	(2,437,630)
Reclassification - Other Income	-	(64,929)
	-	**(2,502,559)**
Other income		
Previously stated	-	(14,714,827)
Reclassification - Rental of Facilities (Carports & Signs)	-	64,929
Reclassification - Government grants & subsidies (WSSA)	-	173,071
Correction of errors	-	(315,531)
	-	**(14,792,358)**
Revenue from non-exchange transactions		
Property rates		
Previously stated	-	(74,214,768)
Reclassification - Departmental Charges	-	40,374

* See Note 3 & 49

	2015	2014 Restated*

50. Comparative figures (continued)

	-	**(74,174,394)**
Government grants & subsidies		
Previously stated	-	(157,015,405)
Reclassification - Other Income	-	(173,071)
	-	**(157,188,476)**
Expenditure		
Employee related costs		
Previously stated	-	139,172,975
Reclassification - Remuneration of Councillors	-	(4,049,520)
Reclassification - Finance costs	-	4,875,397
Reclassification - General Expenses	-	352,481
Correction of errors	-	(11,480,655)
	-	**128,870,678**
Remuneration of councillors		
Previously stated	-	19,669,236
Reclassification - Employee related costs	-	4,049,520
	-	**23,718,756**
Finance costs		
Previously stated	-	5,307,042
Reclassification - Employee related costs	-	(4,875,397)
Correction of errors - Finance Leases	-	194,850
	-	**626,495**
Repairs and maintenance		
Previously stated	-	12,447,265
Reclassification - General Expenses	-	333,841
Correction of errors	-	(3,344,015)
	-	**9,437,091**
General Expenses		
Previously stated	-	97,478,985
Reclassification - Service Charges	-	(2,967,465)
Reclassification - Property rates	-	(40,373)
Reclassification - Employee related costs	-	(352,481)
Reclassification - Repairs & Maintenance	-	(333,841)
Reclassification - Vending management fee	-	(900,953)
Valuation Fund	-	3,707,884
Correction of errors	-	(48,282,262)
Vending management fee	-	900,953
	-	**49,210,447**

51. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance. Risk management is carried out by a finance department with the assistance of operating divisions, under policies approved by the accounting officer.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Other financial liabilities	594,951	629,690	-	-
Finance lease obligation	1,044,481	1,357,205	-	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade receivables and unpaid conditional grants and subsidies. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2015**	**2014**
Trade and other receivables from exchange transactions	25,316,655	20,312,270
Receivable from non exchange transactions	38,108,792	9,980,738
Cash and cash equivalents	183,649,281	128,963,900
Long term investments	312,429	304,532

Notes to the Annual Financial Statements

	2015	2014 Restated*
51. Risk management (continued)		
Long term debtors	-	3,438,791

Market risk

Interest rate risk

As the municipality has significant interest-bearing assets, the municipality's income and operating cash flows are substantially dependent of changes in market interest rates.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

52. Events after the reporting date

There were no discloseable events after reporting date.

53. Unauthorised expenditure

	2015	2014 Restated*
Opening balance	78,861,059	75,953,559
Unauthorised expenditure	4,009,181	2,907,500
	82,870,240	**78,861,059**

	2015	2014 Restated*
Details of unauthorised expenditure - current year		
Overspending on operating budget	4,009,181	-
Overspending on Capital expenditure	-	-

	2015	2014 Restated*
Details of unauthorised expenditure - prior year		
Overspending on operating budget	2,907,500	2,907,500
	6,916,681	**2,907,500**

(i) No expenditure has been identified as being recoverable.

(ii) No procedures have been taken in terms of criminal or disciplinary proceedings.

(iii) No material losses have been written off.

* See Note 3 & 49

	2015	2014 Restated*

54. Fruitless and wasteful expenditure

	2015	2014 Restated*
Opening balance	1,099,211	909,306
Add: Fruitless and wasteful expenditure - current year	563,388	189,905
	1,662,599	**1,099,211**

Categories of fruitless and wasteful expenditure

	2015	2014 Restated*
Interest paid	320,261	1,099,211
Penalties	243,127	-
	563,388	**1,099,211**

(i) No expenditure has been identified as being recoverable.

(ii) No procedures have been taken in terms of criminal or desciplinary proceedings.

(iii) No material losses have been written off.

55. Irregular expenditure

	2015	2014 Restated*
Opening balance	107,829,264	40,580,248
Add: Irregular Expenditure - current year	56,870,628	67,249,016
	164,699,892	**107,829,264**

Analysis of expenditure awaiting condonation per age classification

	2015	2014 Restated*
Current year	58,973,414	67,249,016
Prior years	107,829,264	40,580,248
	166,802,678	**107,829,264**

Details of irregular expenditure – current year

Irregular expenditure on Contracts	SCM processes not followed	45,079,329
Irregular expenditure on qoutations	SCM processes not followed	13,894,085
		58,973,414

Details of irregular expenditure – prior year

Irregular expenditure on contracts	SCM processes not followed	47,111,533
Irregular expenditure on qoutations	SCM processes not followed	20,137,483
		67,249,016

(i) No expenditure has been identified as being recoverable.

(ii) No procedures have been taken in terms of discplinery or criminal proceedings.

(iii) No material losses have been written off.

	2015	2014 Restated*

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015	2014 Restated*
Current year subscription / fee	1,693,160	1,133,253
Amount paid - current year	(1,693,160)	(1,133,253)
	-	-

Material losses

	2015	2014 Restated*
Electricity distribution losses	76,205,255	59,006,295
Water distribution losses	-	9,326,743
	76,205,255	**68,333,038**

Electricity distribution losses as at 31 June 2015 relate to 76,205,255 kWh (2014; 90,657,322.40 kWh), due to environmental and technical factors. In addition to this, the factor of illegal connections which remains a concern for the municipality.

Water distribution losses as at 30 June 2014 relate to 2,096,830.90 kl, due to environmental and technical factors. In addition to this, the factor of illegal connections which remains a concern for the municipality.

Audit fees

	2015	2014 Restated*
Current year audit fee	5,109,224	4,377,610
Amount paid - current year	(5,109,224)	(4,377,610)
	-	-

PAYE and UIF

	2015	2014 Restated*
Current year payroll deductions and Council Contributions	14,306,936	13,963,607
Amount paid - current year	(14,306,936)	(13,963,607)
	-	-

Pension and Medical Aid Deductions

	2015	2014 Restated*
Current year payroll deductions and Council Contributions	34,253,131	32,677,409
Amount paid - current year	(34,253,131)	(32,677,409)
	-	-

VAT

	2015	2014 Restated*
VAT receivable	4,331,500	23,184,929

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mandile JT/NE	6,965	-	6,965
Councillor Hokolo MS	520	-	520
Councillor Gaju SL	2,574	-	2,574
	10,059	**-**	**10,059**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Jocki TM/S	6,358	-	6,358
Councillor Hokolo MS	7,709	-	7,709
Councillor Gaju SL	4,567	-	4,567
Councillor Dyan M	808	-	808
Councillor Ngesi M	524	-	524
	19,966	**-**	**19,966**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Councillor Dyan M.L	515	120
Councillor Nquma	900	180
Councillor Jaska M	7,210	120
Councillor Mnyaka M	10,634	1,800
	19,259	**2,220**

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor Van Heerden BD/I	584	584
Councillor Ndaliso MR	(391)	(391)
Councillor Jocki TM/S	-	(2,924)
Councillor Njozela DD	187	187
Councillor Mandile JT/NE	935	935
Councillor Snyders MB	359	359
Councillor Shaw JM	1,438	1,438
Councillor Simama N	267	267
Councillor Hokolo MS	5,429	547
Councillor Tsotetsi EN	354	354
Councillor Rani BG	1,898	1,003
Councillor Gaju SL	1,036	1,002
Councillor Mbasana XP	1,455	1,323
Councillor Ndabambi B	1,923	286
Councillor Dyan M	2,448	(86)
Councillor Xulubana NT	1,669	979
Councillor Pambo NC	2,127	999
Councillor Dyantyi SR	2,400	849
Councillor Gwantshu MZ	333	333
Councillor Matiwane MM	355	355
Councillor Ngesi M	20,777	(25)

Notes to the Annual Financial Statements

	2015	2014 Restated*
56. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillor Xhelisilo M	1,840	623
Councillor Nquma NP	7,570	581
Councillor Mngese BE	2,230	422
Councillor Siyo MN	33,702	963
Councillor Ndinise ME	5,248	482
Councillor Blekiwe M	31,630	754
Councillor Mnyaka M	13,087	661
Councillor Bokuva AV	5,856	329
	146,746	**13,189**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Manager and noted by Council. The expenses incurred as mentioned is R1,642,676.45.

All departures in terms of section 36 have been approved by the Municipal Manager and noted by Council unless noted in note 55

57. Budget differences

58. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.
The difference is due to under collection of service charges particularly refuse revenue
The small increase in the rental collection is due to more hall hires in the fourth quarter than anticipated

Interest received on debtors is raised on the outstanding debtors in our books. With more than expected debtors figure in our books, the interest portion has increased.

The big difference is due to the own fund which was not completely allocated to the other income

Actuarial gain was not anticipated; as one will not know whether the expert’s calculations will result in a gain or a loss.

There was a small increase over the budgeted figure because during the second half of the year, the municipality was transferring excess funds in the current account to its investment account and that has yielded extra interest.

The big difference between the budgeted Property Rates revenue and the actual revenue was due to the revised property rate which was implemented in the middle of the year. In the beginning of the 2014/15 financial year, property rates were hiked by 10% but this coincided with the new valuation roll which came in late and came into effect in July 2014. The cumulative effect of this led to some property owners having their rates increased between 40% and 48% and refused to pay for their rates. Council then took a resolution that property rates should be revised downwards to take into account the new valuation roll, some rate payers have since not paid their 2014/15 rates in full.

Government grants and subsidies have been received in full. The variance is the conditional grants which have been recognised after the conditions have been met.

* See Note 3 & 49